

## REPORT OF THE BOARD OF DIRECTORS OF ENCE ENERGÍA Y CELULOSA, S.A. ON THE PROPOSED AMENDMENTS TO THE BYLAWS

### 1. PURPOSE OF THE REPORT

The board of directors of Ence Energía y Celulosa, S.A. (the “**Company**”) has prepared this report under the terms of article 286 of the Spanish Companies Law (*Ley de Sociedades de Capital*) to explain the reasons behind the proposed amendments to certain articles of the bylaws. These amendments are to be put before the Company’s general shareholders’ meeting scheduled for 27 April 2015 at 12.30 pm, on first call, and on 28 April 2015 at the same time, on second call.

### 2. GENERAL RATIONALE FOR THE PROPOSED AMENDMENTS

The proposal to amend certain articles of the Company’s bylaws has been prompted by the need to bring the text in line with the developments ushered in by Law 31 of 3 December 2014, amending the Spanish Companies Law to improve corporate governance (“**Ley 31/2014**”). This reform also seeks to update and technically improve certain provisions with the main objective of achieving greater clarity in their wording and greater consistency with the provisions of the recently revised Spanish Companies Law.

### 3. DETAILED ANALYSIS OF THE PROPOSED AMENDMENTS

Following this summary of the proposed amendment, there follows a more detailed rationale and explanation of the specific amendments of certain articles of the Company’s bylaws to be submitted for approval.

#### 3.1 Proposed amendment of article 21 of the bylaws on the subject of governing bodies

Firstly, the purpose of the proposed amendment of sub-section x) of article 2 is to adapt its wording such that the scenario refers to the transfer to subsidiaries of core activities that were hitherto carried out by the Company, pursuant to article 511 bis of the Spanish Companies Law.

Secondly, it has been proposed to amend section 2, sub-section xi) in order to include a need for it to be the Company’s general shareholders meeting that approves the transfer to another company of core assets, pursuant to article 160 (f) of the Spanish Companies Law.

Finally, pursuant to article 511 bis of the Spanish Companies Law, it has been proposed to add a new sub-section xiii) to include the approval of the remuneration policy as a matter reserved for the general shareholders meeting. The policy will now remain valid for the three years following the year in which it is approved by the general meeting, unless the general meeting resolves to amend this before said period expires.

Thus, section 2, sub-sections x), xi) and xiii) of article 21 would therefore read as follows:

Current wording	Proposed version
<p><b>Article 21.- Governing Bodies</b></p> <p>(x) <i>agreeing the subsidiarisation or transfer to subsidiaries of the Company’s operating assets, transforming it into a pure holding company.</i></p> <p>xi) <i>approving, as the case may be, the acquisition or disposal of assets when this entails an effective change in the corporate purpose due to their quality or volume.</i></p>	<p><b>Article 21.- Governing Bodies</b></p> <p>x) agreeing the <del>subsidiarisation or transfer to</del> <u>transfer</u> to subsidiaries of <del>the active assets of the Company, transforming it into a pure holding</del> <u>core activities hitherto performed by the Company, even if the Company retains full ownership over them.</u></p> <p>xi) <i>approving, as the case may be, the acquisition, disposal, <u>or the contribution to another company of assets when core assets or those which,</u> owing to their quality or volume, entail an effective change in the corporate purpose.</i></p> <p><u>xiii) approving the remuneration policy for board members in accordance with the terms of the Spanish Companies Law. The remuneration policy approved by the general shareholders meeting shall remain in effect for three years after its approval by the general shareholders meeting, unless it is</u></p>

amended by a new resolution of the general shareholders meeting.

### 3.2 Proposed amendment of article 22 of the bylaws governing the general shareholders meeting

It is proposed that article 22 should now state that the majority required to approve resolutions be a simple majority to reflect the terms of article 201 of the Spanish Companies Law.

Article 22 would thus read as follows:

Current wording	Proposed version
<p><b>Article 22.- General shareholders meeting</b></p> <p><i>Shareholders acting at a duly convened general shareholders meeting shall decide by majority on matters validly proposed at the meeting.</i></p> <p><i>All shareholders, including dissenting shareholders and those who did not take part in the meeting, are subject to the resolutions of the general shareholders meeting.</i></p> <p><i>The general shareholders meeting is governed by applicable law, the bylaws and the regulations of the general shareholders meeting.</i></p>	<p><b>Article 22.- General shareholders meeting</b></p> <p><i>Shareholders acting at a duly convened general shareholders meeting shall decide by <b>simple</b> majority on matters validly proposed at the meeting.</i></p> <p><i>All shareholders, including dissenting shareholders and those who did not take part in the meeting, are subject to the resolutions of the general shareholders meeting.</i></p> <p><i>The general shareholders meeting is governed by applicable law, the bylaws and the regulations of the general shareholders meeting.</i></p>

### 3.3 Proposed amendment of article 26 of the bylaws governing the announcement of the general meeting

Firstly, it is proposed that the second paragraph of the article should state that the Company's general meeting may be held at a venue outside the municipal district in which the Company has its registered office, in accordance with article 175 of the Spanish

Companies Law. This amendment is not in response to the developments ushered in by Act 31/2014, but is intended to make the general meeting more flexible in nature.

Secondly, and with the aim of bringing the wording of paragraphs five and six in line with article 519 of the Spanish Companies Law, it is proposed that the minimum requirement of 5% of share capital be lowered to 3% in order for Company shareholders to be able to request that a supplement be added to the announcement of the ordinary general shareholders meeting, or to propose further well-founded motions in relation to business already included on the agenda, or propose new items for the agenda of the meeting.

Article 26 would thus read as follows:

Current wording	Proposed version
<p><b>Article 26.- Notice of the general shareholders meeting</b></p> <p><i>The general shareholders meeting must be called by the board of directors through a notice published in the Official Gazette of the Companies Register (Boletín Oficial del Registro Mercantil), in a leading Spanish newspaper, on the website of the Spanish National Securities Market Commission, and on the Company’s website, at least one month before the date scheduled for it to be held, except in cases in which the law establishes a different term, in which case the term will be that indicated in the law.</i></p> <p><i>The announcement shall state the name of the Company, the date and time of the meeting on first call, the venue and the agenda, which must detail all business to be discussed at the meeting and the position of the person or persons making the announcement, as well as any other</i></p>	<p><b>Article 26.- Notice of the general shareholders meeting</b></p> <p><i>The general shareholders meeting must be called by the board of directors through a notice published in the Official Gazette of the Companies Register (Boletín Oficial del Registro Mercantil), in a leading Spanish newspaper, on the website of the Spanish National Securities Market Commission, and on the Company’s website, at least one month before the date scheduled for it to be held, except in cases in which the law establishes a different term, in which case the term will be that indicated in the law.</i></p> <p><i>The notice will state the name of the Company, the date and time of the meeting at first call, the venue, <u>which may be outside the municipal district in which the Company has its registered office</u>, the agenda, which must detail all business to be discussed at the meeting and the</i></p>

Current wording	Proposed version
<p><i>information required by law. It may also indicate the date on which the Meeting will be held at second call.</i></p> <p><i>At least 24 hours must elapse between first and second meetings.</i></p> <p><i>If a duly convened general shareholders meeting is not held at first call, and the announcement did not indicate the date of the meeting to be held at second call, a meeting at second call must be announced, with the same agenda and according to the same notification requirements as the meeting at first call, within 15 days following the date of the meeting that was not held and with the advance notice established in applicable law.</i></p> <p><i>Shareholders representing at least five per cent (5%) of share capital may request that a supplement to the call of an ordinary meeting be published to include one or more items on the agenda, provided that such new items are accompanied by a justification or, where appropriate, a well-founded motion. In no event may this right be exercised regarding calls to extraordinary general meetings. To exercise this right, the shareholders must duly notify the Company, with said notification to be received at the Company's registered office within five (5) days following the publication of the call. The call supplement must be published at least fifteen (15) days prior to the date stipulated for the meeting.</i></p> <p><i>Shareholders representing at least</i></p>	<p><i>position of the person or persons making the announcement, as well as any other information required by law. It may also indicate the date on which the Meeting will be held at second call.</i></p> <p><i>At least 24 hours must elapse between first and second meetings.</i></p> <p><i>If a duly convened general shareholders meeting is not held at first call, and the announcement did not indicate the date of the meeting to be held at second call, a meeting at second call must be announced, with the same agenda and according to the same notification requirements as the meeting at first call, within 15 days following the date of the meeting that was not held and with the advance notice established in applicable law.</i></p> <p><i>Shareholders representing at least <del>three five</del> per cent (35%) of share capital may request that a supplement to the call of an ordinary meeting be published to include one or more items on the agenda, provided that such new items are accompanied by a justification or, where appropriate, a well-founded motion. In no event may this right be exercised regarding calls to extraordinary general meetings. To exercise this right, the shareholders must duly notify the Company, with said notification to be received at the Company's registered office within five (5) days following the publication of the call. The call supplement must</i></p>

Current wording	Proposed version
<p><i>five per cent (5%) of share capital may, by the same deadline indicated in the preceding paragraph, present well-justified proposals on items already on the agenda or which should be included on the agenda for the meeting. The Company will ensure that these proposed resolutions and any documentation attached thereto are published as set forth in the law.</i></p>	<p><i>be published at least fifteen (15) days prior to the date stipulated for the meeting.</i></p> <p><i>Shareholders representing at least <del>three five</del> per cent (35%) of share capital may, by the same deadline indicated in the preceding paragraph, present well-justified proposals on items already on the agenda or which should be included on the agenda for the meeting. The Company will ensure that these proposed resolutions and any documentation attached thereto are published as set forth in the law.</i></p>

### 3.4 Proposed amendment of article 27 of the bylaws governing the authority and obligation to call the general shareholders meeting

It is proposed that the minimum requirement of 5% of share capital be lowered to 3% in order for Company shareholders to request that a general shareholders meeting be called, pursuant to article 495 of the Spanish Companies Law. This article stipulates that the minimum of 5% generally required for the exercise of shareholders' rights at Spanish public limited companies (*sociedades anónimas*), including, therefore, the right to request that a general shareholders meeting be called, shall be 3% for listed companies.

Article 27 would thus read as follows:

Current wording	Proposed version
<p><b>Article 27. Authority and obligation to issue calls</b></p> <p><i>The directors may call an extraordinary general shareholders meeting whenever they deem one to be in the Company's interests.</i></p>	<p><b>Article 27. Authority and obligation to issue calls</b></p> <p><i>The directors may call an extraordinary general shareholders meeting whenever they deem one to be in the Company's interests.</i></p>

Current wording	Proposed version
<p><i>In addition, they must do so when so requested by shareholders owning at least five per cent (3%) of share capital. The request must state the business to be discussed at the meeting. In this event, the meeting must be convened to be held within two months of the day on which a notarised request is made to the governing body to do so.</i></p> <p><i>The directors shall prepare the agenda, necessarily including the items that were stated in the request.</i></p>	<p><i>In addition, they must do so when so requested by shareholders owning at least <del>five</del>three per cent (3%) of share capital. The request must state the business to be discussed at the meeting. In this event, the meeting must be convened to be held within two months of the day on which a notarised request is made to the governing body to do so.</i></p> <p><i>The directors shall prepare the agenda, necessarily including the items that were stated in the request.</i></p>

### 3.5 Proposed amendment of article 28 of the bylaws governing the universal general meeting

It is proposed that this article be amended so as to include, in relation to the universal general meeting, the fact that share capital need not necessarily be present at the meeting but may also be represented by proxy, as envisaged in article 178 of the Spanish Companies Law.

Article 28 would thus read as follows:

Current wording	Proposed version
<p><b>Article 28. Universal general meeting</b></p> <p><i>Notwithstanding the preceding articles, a meeting shall be understood to have been convened and it will be validly constituted to transact any business provided that all of the share capital is present and the attendees unanimously consent to the meeting being held. Such meetings may be held in any location.</i></p>	<p><b>Article 28. Universal general meeting</b></p> <p><i>Notwithstanding the preceding articles, a meeting shall be understood to have been convened and it will be validly constituted to transact any business provided that all of the share capital is present <u>or represented</u> and the attendees unanimously consent to the meeting being held. Such meetings may be</i></p>

Current wording	Proposed version
	<i>held in any location.</i>

### 3.6 Proposed amendment of article 29 of the bylaws governing the constitution of general meetings

It is proposed that section 1 of the article be amended so as to further specify that when carrying resolutions for which the Spanish Companies Law requires a larger quorum, and if the share capital present or represented exceeds 50%, it shall suffice for the resolution to be adopted by absolute majority, in accordance with article 201 of the Spanish Companies Law.

Section 1 of article 29 would thus read as follows:

Current wording	Proposed version
<p><b>Article 29.- Quorum for the meeting</b></p> <p><i>1. The general shareholders meeting will be validly constituted at first call when shareholders in attendance or represented by proxy hold at least 25% of subscribed capital with voting rights. The general shareholders meeting at second call shall be validly constituted regardless of the percentage of share capital in attendance.</i></p>	<p><b>Article 29.- Quorum for the meeting</b></p> <p><i>1. The general shareholders meeting will be validly constituted at first call when shareholders in attendance or represented by proxy hold at least 25% of subscribed capital with voting rights. The general shareholders meeting at second call shall be validly constituted regardless of the percentage of share capital in attendance.</i></p> <p><u><i>For the adoption of resolutions regarding which the law requires a larger quorum, if the share capital present or represented by proxy exceeds fifty per cent (50%), it shall suffice for the resolution to be adopted by absolute majority.</i></u></p>

### 3.7 Proposed amendment of article 34 of the Spanish Companies Law on the right to information

It is proposed that the article be brought in line with the developments ushered in by Act 31/2014 in relation to the furnishing of information to shareholders. In particular, the following is proposed: (i) further specify the exemptions from the obligation to furnish requested information in accordance with article 197 of the Spanish Companies Law; and (ii) state that the board of directors may limit its response by simply referring to the information already provided when, before a specific question is asked, the requested information was already clearly, expressly and directly available on the Company’s website in question-and-answer form, in accordance with article 520 of the Spanish Companies Law.

Article 34 would thus read as follows:

Current wording	Proposed version
<p><b>Article 34. Right to information</b></p> <p><i>Shareholders will have the right to information in accordance with the terms laid down in law.</i></p> <p><i>Directors will be required to furnish, in the manner and within the timeframes prescribed by law, any information that, in accordance with said law, shareholders may request of them, except when doing so is legally unjustified and, in particular, when the chairman believes that disclosure of the information would harm the Company’s interests. This second exception will not apply when the request is backed by shareholders who represent at least one quarter of the share capital.</i></p>	<p><b>Article 34. Right to information</b></p> <p><i>Shareholders will have the right to information in accordance with the terms laid down in law.</i></p> <p><i>Directors will be required to furnish, in the manner and within the timeframes prescribed by law, any information that, in accordance with said law, shareholders request of them, except when doing so is legally unjustified, and, in particular, when <u>that information is unnecessary to safeguard the shareholders’ rights, or there are objective reasons for considering that it could be used for purposes not related to the Company, or when</u> disclosure <del>of the information</del> could harm <del>the interests of the Company or related companies</del>. This second exception will not apply when the request is backed by shareholders who represent at least one quarter of</i></p>

Current wording	Proposed version
	<p><i>the share capital.</i></p> <p><u><i>If, before a specific question is asked, the information requested was already clearly, expressly and directly available for all shareholders on the Company's website in question-and-answer form, the board of directors may reply to the question by referring to the information provided in said format.</i></u></p>

### 3.8 Proposed amendment of article 35 of the bylaws on discussing and adopting resolutions

Firstly, it is proposed that section 3 of the article be reframed to limit the authority of the chairman of the general meeting to have separate motions voted on jointly when the Spanish Companies Law requires separate voting.

Secondly, it is proposed that section 4 be modified to state that resolutions will be adopted by simple majority in accordance with article 201 of the Spanish Companies Law.

Sections 3 and 4 of article 35 of the bylaws would thus read as follows:

Current wording	Proposed version
<p><b>Article 35.- Deliberation on and adoption of resolutions</b></p> <p>3. Lastly, the different motions shall be submitted to a vote. To this end, each of the items on the agenda shall be voted on individually. Nevertheless, and if the circumstances make it advisable to do so, the chairman of the meeting may decide that proposals pertaining to several items on the agenda be voted on jointly, in which case the result of the vote shall be understood</p>	<p><b>Article 35.- Discussing and adopting resolutions</b></p> <p>3. Lastly, the different motions shall be submitted to a vote. To this end, each of the items on the agenda shall be voted on individually. Nevertheless, and if the circumstances make it advisable to do so, the chairman of the meeting may decide that proposals pertaining to several items on the agenda be voted on jointly, <u>provided the Spanish</u></p>

<p><i>to be individually reproduced for each motion if none of the attendees expresses their desire to modify their vote regarding any of the motions. Otherwise, the minutes will record any voting changes expressed by those in attendance and the result of the vote corresponding to each motion as a result of said changes.</i></p> <p><i>In accordance with these bylaws and the internal rules of the general meeting, the chairman shall be responsible for establishing the voting system that he deems most appropriate and for leading the corresponding process.</i></p> <p><i>Distance voting shall be allowed in accordance with the terms set forth in the following article.</i></p> <p><i>4. The ordinary or extraordinary general meeting shall carry its resolutions with the majorities required by the Spanish Companies Law, with the votes cast by those in attendance and those represented by proxy both counting. Each share with a right to vote, present or represented by proxy at the general meeting, will entitle the owner to one vote.</i></p> <p><i>In order to carry resolutions, a majority of half plus one of the shares with voting rights attached, whether present or represented at the meeting, will be required. This</i></p>	<p><u><i>Companies Law does not require these matters to be voted on separately.</i></u> In such a case, the result of the vote shall be understood to be individually reproduced for each motion if none of the attendees expresses their desire to modify their vote regarding any of the motions. Otherwise, the minutes will record any voting changes expressed by those in attendance and the result of the vote corresponding to each motion as a result of said changes.</p> <p><i>In accordance with these bylaws and the internal rules of the general meeting, the chairman shall be responsible for establishing the voting system that he deems most appropriate and for leading the corresponding process.</i></p> <p><i>Distance voting shall be allowed in accordance with the terms set forth in the following article.</i></p> <p><i>4. The general meeting, whether ordinary or extraordinary, shall carry its resolutions <del>by the majorities required by the Spanish Companies Law in relation to votes present or represented by proxy</del> <u>by simple majority of votes present or represented by proxy, except in cases in which the law or these bylaws requires a larger majority.</u> Each share with a right to vote, present or represented by proxy at the general meeting, will entitle the owner to one vote.</i></p> <p><del><i>In order to carry resolutions, a majority of half plus one of the shares</i></del></p>
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<p><i>excludes those cases where the law or these bylaws demand a larger majority.</i></p>	<p><del><i>with voting rights attached, whether present or represented at the meeting, will be required. This excludes those cases where the law or these bylaws demand a larger majority.</i></del></p>
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**3.9 Proposed amendment of article 40 of the bylaws on the duration, co-optation and removal of board members**

The board proposes amending the third paragraph to eliminate the requirement that the appointment by co-optation of board members of listed companies be carried out "among the shareholders" of the Company, in accordance with section 2 of the new article 529 decies of the Spanish Companies Law.

The third paragraph of article 40 would thus read as follows:

Current wording	Proposed version
<p><b>Article 40.- Term, co-optation and removal</b></p> <p><i>If during the term for which directors were appointed a vacancy arises, the board may appoint, from among existing shareholders, a person to fill the vacancy until the next general meeting is held.</i></p>	<p><b>Article 40.- Term, co-optation and removal</b></p> <p><i>If during the term for which directors were appointed a vacancy arises, the board may appoint, <del>from among existing shareholders,</del> a person to fill the vacancy until the next general meeting is held.</i></p>

**3.10 Proposed amendment of article 42 of the bylaws governing the remuneration of board members**

The board proposes amending this article to bring it in line with the new system of remuneration envisaged under articles 217 and 529 novodecies of the Spanish Companies Law.

Firstly, it is proposed that section 1 of the article be amended to specify that the amount of remuneration that the Company may pay each year to all of its board for all items related to

their posts, including those foreseen in article 43 below, shall not exceed the amount determined for this purpose by the general meeting.

Secondly, the article should state that the exact amount to be paid to each board member should be fixed in view of his or her responsibilities, membership of board committees and any other circumstances deemed relevant.

Lastly, section 3 should be reworded to include the requirement that pay items must respect the policy approved by the Company’s general shareholders meeting and also be approved in accordance with law.

Article 42 would thus read as follows:

Current wording	Proposed version
<p><b>Article 42.- Remuneration</b></p> <p>1. Directors are remunerated through a periodic allocation and fees for attending the meetings of the board of directors and its committees. The amount of the remuneration that the Company may pay each year to all its board members for all such items shall not exceed the amount determined by the general shareholders meeting, without prejudice to the terms of article 43.2 below. The amount thus determined shall remain in effect until it is modified by a new resolution of the general shareholders meeting. The board of directors shall be responsible for determining the exact amount to be paid within that limit, the distribution thereof among the different board members and the frequency with which it shall be paid.</p>	<p><b>Article 42.- Remuneration</b></p> <p>1. Directors are remunerated through a periodic allocation and fees for attending the meetings of the board of directors and its committees. The amount of the remuneration that the Company may pay each year to all its board members <u>for their work as such</u> for <u>all such</u> items, <u>including those set out in article 43 below</u>, shall not exceed the amounts determined for this purpose by the general shareholders meeting. <del>without prejudice to the provisions of article 43.2 below</del>, The amount thus determined shall remain in effect until it is modified by a new resolution of the general shareholders meeting. The board of directors shall be responsible for determining the exact amount to be paid within that limit, the distribution thereof among the different board members and the frequency with</p>

Current wording	Proposed version
<p>2. In addition, and irrespective of the remuneration envisioned in the preceding paragraph, directors may also be compensated with shares or share options or any other remuneration system based on the value of the shares, whether of the Company or of companies in its group. The general meeting must agree to apply these remuneration systems pursuant to the terms of the Spanish Companies Law.</p> <p>3. The remuneration envisaged in this article will be compatible with and independent of any salaries, remuneration, compensation, or pension payments established generally or individually for those board members who have a common or special senior management employment relationship with the Company or arrangement in place for the provision of services; all such relationships to be compatible with his or her seat on the board of directors, although all such pay items must be detailed in the annual report in accordance with the terms of the Spanish Companies Law and any other applicable legal provisions.</p>	<p>which it shall be paid. <u>The board shall take into consideration the duties and responsibilities attributed to each director, their membership of board committees and any other circumstances that it deems relevant.</u></p> <p>2. In addition, and irrespective of the remuneration envisioned in the preceding paragraph, directors may also be compensated with shares or share options or any other remuneration system based on the value of the shares, whether of the Company or of companies in its group. The general meeting must agree to apply these remuneration systems pursuant to the terms of the Spanish Companies Law.</p> <p>3. The remuneration envisaged in this article will be compatible with and independent of any salaries, remuneration, compensation, or pension payments established generally or individually for those board members who have a common or special senior management employment relationship with the Company or arrangement in place for the provision of services; all such relationships to be compatible with his or her seat on the board of directors, although all such pay items <u>must respect the remuneration policy approved by the general meeting</u>, be detailed in the annual report <u>and be approved</u> in accordance with the terms of the Spanish Companies Law and any other applicable legal provisions.</p>

**3.11 Proposed amendment of article 43 of the bylaws on insurance and employee pension schemes**

The board suggests modifying section 2 of this article to include reference to the limit prescribed by article 42.1 of the bylaws, in accordance with article 529 septdecies of the Spanish Companies Law.

Section 2 of article 43 would thus read as follows:

Current wording	Proposed version
<p><b>Article 43.- Insurance and employee pension schemes</b></p> <p>2. <i>The Company may set up a pension system for its board members to apply in the event of death, retirement, disability, or incapacity from their work as board member. The board shall determine the amount, terms and conditions and features of this scheme, although the contributions made to the scheme may not exceed, for each person and year, the total remuneration received by the director in question for his or her seat on the board of directors over the last financial year, or calendar year if a larger sum was received. The Company may outsource this pension scheme wholly or in part.</i></p>	<p><b>Article 43.- Insurance and employee pension schemes</b></p> <p>2. <i>The Company may set up a pension system for its board members, <u>such system respecting the limit set by the general meeting pursuant to section 1 of the preceding article</u>, and to apply in the event of death, retirement, disability, or incapacity from their work as board member. The board shall determine the amount, terms and conditions and features of this scheme, although the contributions made to the scheme may not exceed, for each person and year, the total remuneration received by the director in question for his or her seat on the board of directors over the last financial year, or calendar year if a larger sum was received.. The Company may outsource this pension scheme wholly or in part.</i></p>

**3.12 Proposed amendment of article 44 of the bylaws on the responsibilities of board members**

The purpose of amending this article is to reflect the obligation of board members to honour the duties required of them by law and by the Company’s bylaws and internal regulations. It

is also suggested that the article be simplified and state that the obligations of board members will be those prescribed by law so as to ensure that future changes in legal obligations do not require further amendments to the bylaws.

Article 44 would thus read as follows:

Current wording	Proposed version
<p><b>Article 44.- Responsibilities</b></p> <p><i>Directors shall perform their duties with the diligence of a prudent business person and loyal representative, and honour all other duties attaching to their post.</i></p> <p><i>The regulations of the board of directors shall specify the specific obligations of board members in respect of their duties of loyalty and, in particular, the duties to respect the confidential nature of any Company information to which they may be privy while serving as board member, including the duty not to engage in activities that effectively compete with those of the Company. Likewise, the regulations of the board of directors shall pay particular attention to possible conflicts of interest, and shall establish the relevant procedures and safeguards to authorise or waive such conflicts in accordance with articles 225 et seq. of the Spanish Companies Law.</i></p>	<p><b>Article 44.- Responsibilities</b></p> <p><i>Directors shall perform their duties with the diligence of a prudent business person and loyal representative, and honour <del>all other duties attaching to their post</del><u>the duties prescribed by law, these bylaws, the regulations of the general shareholders meeting and the regulations of the board of directors.</u></i></p> <p><i>The regulations of the board of directors shall specify the specific obligations of board members in respect of their duties <del>of loyalty and, in particular, the duties to respect the confidential nature of any Company information to which they may be privy while serving as board member, including the duty not to engage in activities that effectively compete with those of the Company. Likewise, the regulations of the board of directors</del> <u>established at law</u> and shall pay particular attention to possible conflicts of interest <del>and shall establish the relevant procedures and safeguards to authorise or waive such conflicts in accordance with articles 225 et seq. of the Spanish Companies Law.</del></i></p>

### 3.13 Proposed amendment of article 45 of the bylaws governing the calling and venue of board meetings

It is proposed that the Company's board of directors should be required to meet at least one a quarter in accordance with article 245 of the Spanish Companies Law.

Article 45 would thus read as follows:

Current wording	Proposed version
<p><b>Article 45.- Calls to meetings and venue</b></p> <p><i>The board of directors will meet at the behest of the chairman as many times as the latter deems appropriate for the smooth functioning of the Company.</i></p> <p><i>In addition, at least one-third of the members of the board of directors may call the meeting, indicating the agenda, in order for it to be held at the Company's registered office if the chairman, despite having been asked to do so, fails to call the meeting within one month of that date without a justified reason.</i></p> <p><i>The notice shall contain the agenda. Except in cases in which, in accordance with the authority set forth above, another possibility is established, notices will be handled by the chairman at least two days before the date on which the meeting is to take place. Providing the meeting has been requested by one third of the members of the board of directors, the chairman may not delay the notice for more than one month as of the date on which he was irrefutably requested to issue it.</i></p>	<p><b>Article 45.- Calls to meetings and venue</b></p> <p><i>The board of directors will meet at the behest of the chairman as many times as the latter deems appropriate for the operation of the Company <u>and at least once a quarter.</u></i></p> <p><i>In addition, at least one-third of the members of the board of directors may call the meeting, indicating the agenda, in order for it to be held at the Company's registered office if the chairman, despite having been asked to do so, fails to call the meeting within one month of that date without a justified reason.</i></p> <p><i>The notice shall contain the agenda. Except in cases in which, in accordance with the authority set forth above, another possibility is established, notices will be handled by the chairman at least two days before the date on which the meeting is to take place. Providing the meeting has been requested by one third of the members of the board of directors, the chairman may not delay the notice for more than one month as of the date on which he was irrefutably requested to issue it.</i></p>

Current wording	Proposed version
<p><i>Meetings will ordinarily take place at the location of the registered address, but they may also be held in another location, as determined by the chairman.</i></p> <p><i>Without prejudice to the terms set forth above, unless not allowed under the law, resolutions may be adopted outside of the meeting and in writing, and such resolutions must conform to the requirements of formalities set forth in the rules of the Companies Register. In addition, and subject to the the terms set forth in the internal regulations of the board of directors, the board meeting may be held in several rooms simultaneously, provided that interactivity and intercommunication in real time and, therefore, the continuity of the meeting, are assured through audiovisual or telephonic means.</i></p>	<p><i>Meetings will ordinarily take place at the location of the registered address, but they may also be held in another location, as determined by the chairman.</i></p> <p><i>Without prejudice to the terms set forth above, unless not allowed under the law, resolutions may be adopted outside of the meeting and in writing, and such resolutions must conform to the requirements of formalities set forth in the rules of the Companies Register. In addition, and subject to the the terms set forth in the internal regulations of the board of directors, the board meeting may be held in several rooms simultaneously, provided that interactivity and intercommunication in real time and, therefore, the continuity of the meeting, are assured through audiovisual or telephonic means.</i></p>

### 3.14 Proposed amendment of article 47 of the bylaws governing positions on the board

It is proposed that the appointments and remuneration committee issues a preliminary report on who should be appointed chairman, vice chairman and secretary of the Company's board of directors in accordance with articles 529 sexies and 529 octies of the Spanish Companies Law, respectively,

Article 47 would thus read as follows:

Current wording	Proposed version
<p><b>Article 47.- Board positions</b></p> <p><i>The board will elect a chairman and may elect one or more vice chairmen. If there is more than one chairman,</i></p>	<p><b>Article 47.- Board positions</b></p> <p><i>The board, <u>after receiving a report from the appointments and remuneration committee</u>, will elect a</i></p>

Current wording	Proposed version
<p><i>these will be numbered sequentially. The vice chairmen, in the order established, or, if no such order has been established, the board member elected on an interim basis for this purpose, shall substitute for the chairman in the event of his absence or inability to attend.</i></p> <p><i>In addition, the board will be responsible for electing a secretary, and, if applicable, a vice secretary, who may or may not be directors; in the event of a vacancy or absence or if the secretary and vice secretary do not attend, they will be substituted for by the youngest director of those in attendance at the meeting.</i></p>	<p><i>chairman and may elect one or more vice chairmen. If there is more than one chairman, these will be numbered sequentially. The vice chairmen, in the order established, or, if no such order has been established, the board member elected on an interim basis for this purpose, shall substitute for the chairman in the event of his absence or inability to attend.</i></p> <p><i>In addition, <u>after receiving a report from the appointments and remuneration committee</u>, the board will be responsible for electing a secretary, and, if applicable, a vice secretary, who may or may not be directors; in the event of a vacancy or absence or if the secretary and vice secretary do not attend, they will be substituted for by the youngest director of those in attendance at the meeting.</i></p>

### **3.15 Proposed amendment of article 49 of the bylaws on delegate and advisory bodies of the board**

The purpose of amending this article is firstly to include the obligation of the Company's board of directors to set up an audit committee and an appointments and remuneration committee with the minimum membership requirements and functions set forth in the Spanish Companies Law.

The article should likewise require the Company's board of directors to conduct a yearly appraisal of its performance and that of its committees, in accordance with article 529 nonies of the Spanish Companies Law.

Article 49 would thus read as follows:

Current wording	Proposed version
<p><b>Article 49.- Delegate and advisory bodies of the board of directors</b></p> <p>The board of directors may appoint from among its rank an executive committee and one or more other committees to which it will entrust responsibility for given matters or issues and delegate to them, either temporarily or permanently, all or part of its duties, except for those that legally or according to a resolution of the general meeting are of the exclusive responsibility of the board and those that are set forth as such in the rules that the board approves pursuant to the power conferred under article 245 of the Spanish Companies Law. The same responsibilities may be delegated to the chairman, the vice chairman or the vice chairmen or any other directors.</p> <p>In order to be valid, the permanent delegation of powers of the board of directors to the executive committee, to one or more delegate committees, or to one or more chief executive officers, and the appointment of the directors to such offices, the favourable vote of two-thirds of board members will be required. Such actions will not take effect until recorded in the Mercantile Registry (Registro Mercantil).</p> <p>The executive committee, the delegate committees, and the chief executive officers will be accountable before the board of directors for the main decisions taken in the exercise</p>	<p><b>Article 49.- Delegate and advisory bodies of the board of directors</b></p> <p>The board of directors may set up, from among its members, an executive committee <u>and must set up, as a minimum, an audit committee and an appointments and remuneration committee, such committees to have the minimum membership requirements and functions set forth in the Spanish Companies Law and in the regulations of the board of directors.</u> <u>In addition, the board may appoint</u> one or more other committees to which it will entrust responsibility for given matters or issues and delegate to them, either temporarily or permanently, all or part of its duties, except for those that legally or according to a resolution of the general meeting are of the exclusive responsibility of the board and those that are set forth as such in the rules that the board approves pursuant to the power conferred in article 245 of the Spanish Companies Law. The same responsibilities may be delegated to the chairman, the vice chairman or the vice chairmen or any other directors.</p> <p>In order to be valid, the permanent delegation of powers of the board of directors to the executive committee, to one or more delegate committees, or to one or more chief executive officers, and the appointment of the directors to such offices, the favourable vote of two-thirds of</p>

Current wording	Proposed version
<p><i>of the powers delegated to them.</i></p> <p><i>In addition, the board of directors may designate other committees to which it will entrust responsibilities over given matters or issues.</i></p>	<p><i>board members will be required. Such actions will not take effect until recorded in the Mercantile Registry (Registro Mercantil).</i></p> <p><i>The executive committee, the delegate committees, and the chief executive officers will be accountable before the board of directors for the main decisions taken in the exercise of the powers delegated to them.</i></p> <p><i>In addition, the board of directors may designate other committees to which it will entrust responsibilities over given matters or issues.</i></p> <p><u><i>The board of directors must conduct an annual evaluation of its performance and of the performance of its committees and propose, as applicable and based on the results of the evaluations, an action plan to correct any deficiencies detected. The results of the evaluation will be recorded in the meeting minutes or will be annexed thereto as an appendix.</i></u></p>

### 3.16 Proposed amendment of article 51 of the bylaws governing the audit committee

It is proposed that the wording of the article be brought in line with article 529 quaterdecies of the Spanish Companies Law. Firstly, the board advises amending the rules governing membership of the audit committee to reflect the provisions of article 529 quaterdecies 1 of the Spanish Companies Law, such that the audit committee will solely comprise non-executive directors, with a minimum of two independent directors.

Secondly, the aim is to add to the duties of the audit committee to reflect all those set out in article 529 quaterdecies, section 4 of the Spanish Companies Law.

Lastly, and in relation to the audit committee’s duty to report to the board of directors, the board suggests including a reference to the Law, the bylaws and the regulations of the board of directors.

Article 51 would thus read as follows:

Current wording	Proposed version
<p><b>Article 51.- Audit committee</b></p> <p><i>In all events, the board of directors will appoint an audit committee, made up of a minimum of three and a maximum of seven directors, the majority of whom must be non-executive directors and at least of whom must be independent and will be appointed on the basis of his or her knowledge and experience in accounting, auditing, or both.</i></p> <p><i>Without prejudice to any responsibilities that may be entrusted to it by the board of directors, the audit committee shall have the following minimum responsibilities:</i></p> <ol style="list-style-type: none"> <li><i>1. To report at the general shareholders’ meeting on matters posed by shareholders in the area of their competence.</i></li> <li><i>2. To monitor the effectiveness of the Company’s internal control and its internal audit systems, and to discuss with the Company’s auditors any significant weaknesses detected in the internal control system during the audit.</i></li> <li><i>3. To monitor the process of</i></li> </ol>	<p><b>Article 51.- Audit committee</b></p> <p><i>In all events, the board of directors will appoint an audit committee, made up <del>of a minimum of three and a maximum of seven directors, the majority of whom must be non-executive and at least one of whom must be independent</del> <u>exclusively of a minimum of three non-executive directors, of whom at least two must be independent directors and one</u> will be appointed on the basis of his knowledge and experience in accounting, auditing, or both.</i></p> <p><i>Without prejudice to any responsibilities that may be entrusted to it by the board of directors, the audit committee shall have the following minimum responsibilities:</i></p> <ol style="list-style-type: none"> <li><i>1. To report at the general shareholders’ meeting on matters posed by shareholders in the area of their competence.</i></li> <li><i>2. To monitor the effectiveness of the Company’s internal control and its internal audit <u>and risk management systems, including tax-risk management systems</u>, and to discuss with the Company’s auditors any significant weaknesses detected in the internal control system during</i></li> </ol>

Current wording	Proposed version
<p><i>preparing and presenting the regulated financial reporting.</i></p> <p>4. <i>The propose to the board of directors the appointment of the external financial auditors, in accordance with applicable law, so that the board may put the proposal before the general shareholders meeting.</i></p> <p>5. <i>To establish appropriate relationships with auditors in order to receive information, for examination by the audit committee, on matters which may jeopardise their independence and any other matters relating to the audit process and any other communications provided for in audit legislation and technical audit regulations.</i></p> <p><i>In all events, on an annual basis the committee must receive from the auditors written confirmation of their independence vis-à-vis the Company or entities related to it directly or indirectly, in addition to information on additional services of any kind rendered to these entities by the aforementioned auditors or persons or entities related to them, as stipulated by auditing legislation.</i></p> <p>6. <i>The issue annually, prior to the audit report, a report containing an opinion on the independence of the auditors. The report must invariably discuss the provision of any of the additional services described in the preceding section.</i></p>	<p><i>the audit.</i></p> <p>3. <i>To monitor the process of preparing and presenting the regulated financial reporting.</i></p> <p>4. <i>To propose to the board of directors, for submittal to the general shareholders meeting, the <u>designation selection, appointment, re-election and replacement</u> of external auditors, <u>as well as the conditions for hiring them, and to regularly obtain from the board information on the audit plan and its execution</u>, in accordance with the regulations that apply to the Company.</i></p> <p>5. <i>To establish appropriate relationships with auditors in order to receive information, for examination by the audit committee, on matters which may jeopardise their independence and any other matters relating to the audit process and any other communications provided for in audit legislation and technical audit regulations.</i></p> <p><i>In all events, on an annual basis the committee must receive from the auditors written confirmation of their independence vis-à-vis the Company or entities related to it directly or indirectly, in addition to information on additional services of any kind rendered to these entities by the aforementioned auditors or persons or entities related to them, <u>as well as information on the fees received from these entities by the external auditors or by persons or entities related to</u></i></p>

Current wording	Proposed version
<p>The board of directors shall appoint one of the non-executive members of the audit committee as committee chairman, who shall be replaced every four years and may be reappointed after a term of one year has elapsed since his removal from office.</p> <p>In addition, the board of directors may appoint one of the members of the audit committee as committee secretary. In the absence of an express appointment, the secretary</p>	<p><u>them</u>, as stipulated by auditing legislation.</p> <p>6. The issue annually, prior to the audit report, a report containing an opinion on the independence of the auditors. This report should invariably address the provision of the services referred to in the preceding section, <u>considered both individually and as a whole, in addition to statutory audits and how they relate to the requirement of independence or to the regulatory legislation on audits.</u></p> <p>7. <u>To keep the board of directors apprised, in advance, of all matters set forth in the law, these bylaws and the regulations of the board of directors and, in particular, of the financial reporting that the company is to make public, the creation or acquisition of interests in special purpose vehicles or entities domiciled in tax havens and related party transactions.</u></p> <p>The board of directors shall appoint one of the independent members of the audit committee as committee chairman, who shall be replaced every four years and may be reappointed after a term of one year has elapsed since his removal from office.</p> <p>In addition, the board of directors may appoint one of the members of the audit committee as committee secretary. In the absence of an express appointment, the secretary</p>

Current wording	Proposed version
<p><i>and, if applicable, the vice secretary of the board of directors shall act as secretary of the audit committee, even if they are not directors.</i></p> <p><i>The audit committee shall have the resources required to carry out its duties, and shall adopt resolutions by majority vote of those in attendance, whether present or represented by proxy, with the chairman having the deciding vote in the case of a tie. The committee, based on a resolution of the committee itself or its chairman, will meet as many times as necessary and at least four times a year.</i></p> <p><i>The chairman of the audit committee shall report to the board of directors at least twice a year on the business discussed at the committee meetings and on the resolutions adopted.</i></p>	<p><i>and, if applicable, the vice secretary of the board of directors shall act as secretary of the audit committee, even if they are not directors.</i></p> <p><i>The audit committee shall have the resources required to carry out its duties, and shall adopt resolutions by majority vote of those in attendance, whether present or represented by proxy, with the chairman having the deciding vote in the case of a tie. The committee, based on a resolution of the committee itself or its chairman, will meet as many times as necessary and at least four times a year.</i></p> <p><i>The chairman of the audit committee <del>shall report</del> <u>must report</u> to the board of directors <del>at least twice a year on the business discussed at the committee meetings and on the resolutions adopted</del> <u>under the terms set forth at law, these bylaws and the regulations of the board of directors.</u></i></p>

### **3.17 Proposed inclusion of an article 51 bis to the bylaws to govern the remuneration and appointments committee**

The board advises including a new article 51 bis to govern the functioning of the appointments and remuneration committee, to reflect the requirements of article 529 quincecies of the Spanish Companies Law. In particular, rules on committee membership and functioning are to be included, while in relation to its competencies reference will be made to the law and the regulations of the board of directors.

Article 51 bis would thus read as follows:

*“The board of directors will appoint an appointments and remuneration committee, made up exclusively of a minimum of three non-executive directors, of whom at least two must be independent directors.*

*The chairman of the appointments and remuneration committee will be appointed by the board of directors from among the independent directors that belong to said committee.*

*In addition, the board of directors may appoint one of the members of the appointments and remuneration committee as committee secretary. In the absence of an express appointment, the secretary and, if applicable, the vice secretary of the board of directors shall act as secretary of the appointments and remuneration committee, even if they are not directors.*

*The appointments and remuneration committee shall have the resources required to carry out its duties, and shall adopt resolutions by majority vote of those in attendance, whether present or represented by proxy, with the chairman having the deciding vote in the case of a tie. The committee, based on a resolution of the committee itself or its chairman, will meet as many times as necessary and at least four times a year.*

*Without prejudice to any other competencies attributed to it by the board of directors, the appointments and remuneration committee shall have the competencies set forth at law and in the regulations of the board of directors.”*

### **3.18 Proposed amendment of article 53 of the bylaws on the challenging of board resolutions**

It is proposed that the minimum requirement of 5% of share capital be lowered to 3% in order for Company shareholders to be able to challenge resolutions of the board of directors, pursuant to article 491 of the Spanish Companies Act. This article stipulates that the minimum of 5% generally required for the exercise of shareholders’ rights at Spanish public limited companies (*sociedades anónimas*), including, therefore, the right to challenge resolutions of the Company’s board of directors, shall be 3% for listed companies.

Article 53 would thus read as follows:

Current wording	Proposed version
<p><b>Article 53.- Challenges to board resolutions</b></p> <p>Directors and shareholders representing five per cent of share capital may challenge void and voidable resolutions of collegiate governing bodies, abiding by the deadlines and the procedure set forth at law.</p>	<p><b>Article 53.- Challenges to board resolutions</b></p> <p>Directors and shareholders representing <u>three per cent</u> <del>five per cent</del> of share capital may challenge void and voidable resolutions of collegiate governing bodies, abiding by the deadlines and the procedure set forth at law.</p>

### 3.19 Proposed amendment of article 59 of the bylaws on the annual corporate governance report

It is proposed that the article contain a new section requiring the Company's board of directors to draw up and publish a yearly report on the remuneration of directors, pursuant to article 541 of the Spanish Companies Law.

Article 59 would thus read as follows:

Current wording	Proposed version
<p><b>Article 59.- Annual corporate governance report</b></p> <p>As set forth in the law, the board of directors shall approve and make public an annual corporate governance report.</p>	<p><b>Article 59.- Annual <del>corporate governance</del> reports</b></p> <p>As set forth in the law, the board of directors shall approve and make public an annual corporate governance report.</p> <p><u>In addition, each year the board of directors must prepare and publish a report on director remuneration in accordance with the terms and abiding by the content called for in the Spanish Companies Act.</u></p>

Madrid, 25 March 2015